

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2007

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Independent Auditor's Report

To the Board of Education of  
Sibley-Ocheyedan Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sibley-Ocheyedan Community School District, Sibley, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sibley-Ocheyedan Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 30, 2008, on our consideration of Sibley-Ocheyedan Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 37 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sibley-Ocheyedan Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the years ended June 30, 2006 and 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2004, (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

April 30, 2008

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Sibley-Ocheyedan Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2007 Financial Highlights**

- General Fund revenues decreased from \$6,623,052 in fiscal 2006 to \$6,573,215 in fiscal 2007, while General Fund expenditures increased from \$6,495,099 in fiscal 2006 to \$7,115,255 in fiscal 2007. The District's General Fund balance decreased from \$155,453 in fiscal 2006 to a deficit of \$(386,587) in fiscal 2007, a 349% decrease.
- Total property tax for the district actually decreased by thirty-seven cents per \$1000 valuation.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Sibley-Ocheyedan Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Sibley-Ocheyedan Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Sibley-Ocheyedan Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-1</b>				
<b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in fund net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) ***Governmental funds:*** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Capital Projects Fund, Special Revenue Funds, and Debt Service Fund. The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) ***Proprietary funds:*** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) ***Fiduciary funds:*** The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other entities. The District does not have any agency funds at this time.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## Government-Wide Financial Analysis

Figure A-2 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-2

	Condensed Statement of Net Assets						Percentage Change 2005-2006
	Governmental Activities		Business-type Activities		Total School District		
	2006	2007	2006	2007	2006	2007	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,260,804	5,271,930	39,229	36,467	5,300,033	5,308,397	.2%
Capital assets	6,365,043	6,269,677	24,571	26,085	6,389,614	6,295,762	(1%)
<b>Total assets</b>	<b>11,625,847</b>	<b>11,541,607</b>	<b>63,800</b>	<b>62,552</b>	<b>11,689,647</b>	<b>11,604,159</b>	<b>(1%)</b>
Long-term liabilities	2,875,118	2,679,134	-	-	2,875,118	2,679,134	(6.8%)
Other liabilities	3,819,694	4,382,624	4,846	5,095	3,824,540	4,387,719	14.7%
<b>Total liabilities</b>	<b>6,694,812</b>	<b>7,061,758</b>	<b>4,846</b>	<b>5,095</b>	<b>6,699,658</b>	<b>7,066,853</b>	<b>5.5%</b>
Net Assets:							
Invested in capital assets, net of related debt	3,845,043	3,984,677	24,571	26,085	3,869,614	4,010,762	4%
Restricted	1,198,689	1,077,836	-	-	1,198,689	1,077,836	(10.1%)
Unrestricted	[112,697]	[582,664]	34,383	31,372	[78,314]	[551,292]	(604%)
<b>TOTAL NET ASSETS</b>	<b>4,931,035</b>	<b>4,479,849</b>	<b>58,954</b>	<b>57,457</b>	<b>4,989,989</b>	<b>4,537,306</b>	<b>(9%)</b>

The District's combined net assets decreased by approximately \$452,683 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$120,853 over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$412,978.

Figure A-3 shows the change in net assets for the years ended June 30, 2007 and 2006.

Figure A-3

	Change in Net Assets						Percentage Change 2007-2006
	Governmental Activities		Business-type Activities		Total School District		
	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	
Revenues							
Program Revenues:							
Charges for services	593,636	542,769	299,247	318,780	892,883	861,549	(3.5%)
Operating grants & contributions	877,139	916,750	129,102	143,206	1,006,241	1,059,956	5.4%
Capital grants & contributions	11,923	-	-	-	11,923	-	(100%)
General Revenues:							
Property taxes	2,564,880	2,498,399	-	-	2,564,880	2,498,399	(-2.6%)
Income Surtax	190,381	176,414	-	-	190,381	176,414	(7.4%)
Local option sales tax	415,170	487,099	-	-	415,170	487,099	17.4%
Unrestricted state grants	3,224,189	3,189,393	-	-	3,224,189	3,189,393	(1.1%)
Unrestricted investment earnings	68,585	92,721	32	41	68,617	92,762	35.2%
Other revenue	6,292	11,965	-	-	6,292	11,965	90.2%
<b>Total Revenues</b>	<b>7,952,195</b>	<b>7,915,510</b>	<b>428,381</b>	<b>462,027</b>	<b>8,380,576</b>	<b>8,377,537</b>	<b>(.1%)</b>
Expenses:							
Instruction	4,514,147	5,013,298	-	-	4,514,147	5,013,298	11.1%
Support services	2,362,902	2,559,147	-	-	2,362,902	2,559,147	8.3%
Non-instructional programs	-	-	402,106	463,524	402,106	463,524	15.3%
Other expenditures	671,616	794,251	-	-	671,616	794,251	18.3%
<b>Total expenses</b>	<b>7,548,665</b>	<b>8,366,696</b>	<b>402,106</b>	<b>463,524</b>	<b>7,950,771</b>	<b>8,830,220</b>	<b>11.1%</b>
<b>Change in net assets before transfers</b>	<b>403,530</b>	<b>(451,186)</b>	<b>26,275</b>	<b>(1,497)</b>	<b>429,805</b>	<b>(452,683)</b>	
Transfers	[18,271]	-	18,271	-	-	-	
<b>CHANGE IN NET ASSETS</b>	<b>385,259</b>	<b>(451,186)</b>	<b>44,546</b>	<b>(1,497)</b>	<b>429,805</b>	<b>(452,683)</b>	
Net assets beginning of year	4,545,776	4,931,035	14,408	58,954	4,560,184	4,989,989	
Net assets end of year	4,931,035	4,479,849	58,954	57,457	4,989,989	4,537,306	

Property tax, Instructional Support Income Surtax, Local Option Sales Tax and unrestricted State grants account for approximately 76% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for approximately 87% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$7,915,510 and expenses were \$8,366,696.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-4

Total and Net Cost of Governmental Activities

	Total Cost of Services 2006 \$	Total Cost of Services 2007 \$	Net Cost of Services 2006 \$	Net Cost of Services 2007 \$
Instruction	4,514,147	5,013,298	3,371,549	3,891,373
Support Services	2,362,902	2,559,147	2,333,997	2,504,369
Non-instructional Programs	-	-	-	-
Other Expenses	671,616	794,251	360,421	511,435
<b>TOTAL</b>	<b>7,548,665</b>	<b>8,366,696</b>	<b>6,065,967</b>	<b>6,907,177</b>

## Business Type Activities

Revenues for business type activities were \$462,027 and expenses were \$463,524. The District's business type activities include the School Nutrition Fund.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Sibley-Ocheyedan Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of declining enrollment and the increasing cost of finding and retaining the services of a qualified staff.
- The General Fund balance decreased from \$155,453 to a deficit of \$386,587. General Fund revenues decreased .1% while General Fund expenditures increased 11.1%.
- The Capital Projects Fund is used to account for the proceeds from and the expenditure of the local option sales tax. State law and the District's revenue purpose statement control how this money may be spent. The June 30, 2007 unreserved fund balance of \$750,685 may be used first: to reduce general obligation bonded indebtedness, second: to reduce the board approved portion of the physical plant and equipment levy, and third: for other authorized expenditures and purposes designated by the board of education.
- The Nonmajor Funds include the Management Fund, Student Activity Fund, Physical Plant and Equipment Levy Fund and the Debt Service Fund. The fund balances of the Management Fund and Student Activity Fund increased, while the fund balance of the Debt Service Fund remained steady, and the Physical Plant and Equipment Levy Fund balance decreased.

## Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$58,954 at June 30, 2006 to \$57,457 at June 30, 2007. The decrease in net assets was contributed to increased costs for 2006-07.

## BUDGETARY HIGHLIGHTS

The District's total revenues were \$345,449 less than budgeted revenues, a variance of 4%. The most significant variance resulted from the District receiving less from state sources than originally anticipated. The District's total expenditures were \$534,908 less than budgeted, a variance of 5.7%. The most significant variance resulted from the District spending less in the instruction function than anticipated.

Although total expenditures were less than the total budget, the District did exceed the certified budget in the Support Services and non-instructional programs functional areas due to year end expenditures being more than anticipated.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2007, the District had invested \$6.4 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 3.2% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$358,921.

The District's largest capital asset acquisition for fiscal year 2007 was a school bus costing \$49,511.

*Figure A-6*

*Capital Assets (net of depreciation)*

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2007-2006
	2006	2007	2006	2007	2006	2007	
	\$	\$	\$	\$	\$	\$	
Land	25,000	25,000	-	-	25,000	25,000	0.0%
Construction in progress	-	145,812	-	-	-	145,812	0.0%
Buildings	5,933,789	5,704,761	-	-	5,933,789	5,704,761	[3.9%]
Improvements	131,287	116,053	-	-	131,287	116,053	[11.6%]
Equipment & Furniture	274,967	278,051	24,571	26,085	299,538	304,137	1.5%
<b>TOTAL</b>	<b>6,365,043</b>	<b>6,269,677</b>	<b>24,571</b>	<b>26,085</b>	<b>6,389,614</b>	<b>6,295,762</b>	<b>[1.5%]</b>

### Long-Term Debt

At June 30, 2007, the District had \$2,679,134 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 6.9% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

**Figure A-7  
Outstanding Long-Term Obligations**

	<b>Total School District</b>		<b>Percentage</b>
	<b>2006</b>	<b>2007</b>	<b>Change</b>
			<b>2007-2006</b>
	\$	\$	
General Obligation Bonds	2,520,000	2,285,000	(9.4%)
Early Retirement	355,118	394,134	11.0%
<b>TOTAL</b>	<b>2,875,118</b>	<b>2,679,134</b>	<b>(6.9%)</b>

### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstance that could significantly affect its financial health in the future:

- School financing is highly dependent upon student enrollment. The District's September 2007 enrollment increased by 3.4 students. This increase in enrollment will increase the District's funding for fiscal year 2008.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact LaDonn Hartzell, District Secretary/Treasurer and Business Manager, Sibley-Ocheyedan Community School District, 120 11<sup>th</sup> Avenue N.E., Sibley, IA 51249.

## BASIC FINANCIAL STATEMENTS

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	1,087,396	-	1,087,396
Other	1,145,594	31,681	1,177,275
Receivables:			
Property tax:			
Delinquent	53,200	-	53,200
Succeeding year	2,538,290	-	2,538,290
Accounts	9,393	-	9,393
Accrued interest:			
ISCAP	324	-	324
Due from other governments	437,733	-	437,733
Inventories	-	4,786	4,786
Capital assets, net of accumulated depreciation	6,269,677	26,085	6,295,762
<b>Total assets</b>	<b>11,541,607</b>	<b>62,552</b>	<b>11,604,159</b>
<b>Liabilities</b>			
Accounts payable	200,352	-	200,352
Salaries and benefits payable	542,248	-	542,248
Accrued interest payable	8,407	-	8,407
Deferred revenue:			
Succeeding year property tax	2,538,290	-	2,538,290
Other	-	5,095	5,095
ISCAP warrants payable	1,085,000	-	1,085,000
ISCAP accrued interest payable	276	-	276
ISCAP premium	8,051	-	8,051
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	245,000	-	245,000
Termination benefits	141,488	-	141,488
Portion due after one year:			
General obligation bonds payable	2,040,000	-	2,040,000
Termination benefits	252,646	-	252,646
<b>Total liabilities</b>	<b>7,061,758</b>	<b>5,095</b>	<b>7,066,853</b>

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Net assets</b>			
Invested in capital assets, net of related debt	3,984,677	26,085	4,010,762
Restricted for:			
State categorical aid	125,062	-	125,062
Physical plant and equipment levy	89,671	-	89,671
Other special revenue purposes	112,418	-	112,418
Local option sales tax capital projects	750,685	-	750,685
Unrestricted	<u>(582,664)</u>	<u>31,372</u>	<u>(551,292)</u>
<b>Total net assets</b>	<u><u>4,479,849</u></u>	<u><u>57,457</u></u>	<u><u>4,537,306</u></u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	
			<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b>Governmental activities:</b>				
Instruction:				
Regular	2,996,603	279,018	376,473	-
Special	1,091,078	6,690	108,396	-
Other	925,617	252,306	99,042	-
	<u>5,013,298</u>	<u>538,014</u>	<u>583,911</u>	<u>-</u>
Support services:				
Student	199,600	-	-	-
Instructional staff	319,025	-	35,749	-
Administration	805,178	-	-	-
Operation and maintenance of plant	847,586	4,755	-	-
Transportation	387,758	-	14,274	-
	<u>2,559,147</u>	<u>4,755</u>	<u>50,023</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	156,190	-	-	-
Long-term debt interest	110,983	-	-	-
AEA flowthrough	282,816	-	282,816	-
Depreciation (unallocated)*	244,262	-	-	-
	<u>794,251</u>	<u>-</u>	<u>282,816</u>	<u>-</u>
Total governmental activities	8,366,696	542,769	916,750	-
<b>Business type activities:</b>				
Non-instructional programs:				
Food service operations	463,524	318,780	143,206	-
Total	<u>8,830,220</u>	<u>861,549</u>	<u>1,059,956</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

**Change in net assets**

Net assets beginning of year

Net assets end of year

\*This amount excludes the depreciation that is included in the direct expenses of the various programs.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(2,341,112)	-	(2,341,112)
(975,992)	-	(975,992)
(574,269)	-	(574,269)
<u>(3,891,373)</u>	<u>-</u>	<u>(3,891,373)</u>
(199,600)	-	(199,600)
(283,276)	-	(283,276)
(805,178)	-	(805,178)
(842,831)	-	(842,831)
(373,484)	-	(373,484)
<u>(2,504,369)</u>	<u>-</u>	<u>(2,504,369)</u>
(156,190)	-	(156,190)
(110,983)	-	(110,983)
-	-	-
(244,262)	-	(244,262)
<u>(511,435)</u>	<u>-</u>	<u>(511,435)</u>
(6,907,177)	-	(6,907,177)
<u>-</u>	<u>(1,538)</u>	<u>(1,538)</u>
<u>(6,907,177)</u>	<u>(1,538)</u>	<u>(6,908,715)</u>
2,356,737	-	2,356,737
80,492	-	80,492
61,170	-	61,170
176,414	-	176,414
487,099	-	487,099
3,189,393	-	3,189,393
92,721	41	92,762
11,965	-	11,965
<u>6,455,991</u>	<u>41</u>	<u>6,456,032</u>
(451,186)	(1,497)	(452,683)
<u>4,931,035</u>	<u>58,954</u>	<u>4,989,989</u>
<u>4,479,849</u>	<u>57,457</u>	<u>4,537,306</u>

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2007

	General Fund	Capital Projects Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments:				
ISCAP	1,087,396	-	-	1,087,396
Other	118,277	540,670	486,337	1,145,284
Receivables:				
Property tax:				
Delinquent	43,564	-	9,636	53,200
Succeeding year	2,176,552	-	361,738	2,538,290
Accounts	5,173	-	4,220	9,393
Accrued interest - ISCAP	324	-	-	324
Due from other governments	227,718	210,015	-	437,733
<b>Total assets</b>	<b>3,659,004</b>	<b>750,685</b>	<b>861,931</b>	<b>5,271,620</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	57,050	-	143,302	200,352
Salaries and benefits payable	542,248	-	-	542,248
ISCAP warrants payable	1,085,000	-	-	1,085,000
ISCAP accrued interest payable	276	-	-	276
ISCAP premium	8,051	-	-	8,051
Deferred revenue:				
Succeeding year property tax	2,176,552	-	361,738	2,538,290
Other	176,414	-	-	176,414
Total liabilities	4,045,591	-	505,040	4,550,631
Fund balances:				
Reserved for:				
State categorical aid	125,062	-	-	125,062
Debt service	-	-	6,110	6,110
Unreserved reported in:				
General fund	(511,649)	-	-	(511,649)
Special revenue funds	-	-	350,781	350,781
Capital projects funds	-	750,685	-	750,685
Total fund balances	(386,587)	750,685	356,891	720,989
<b>Total liabilities and fund balances</b>	<b>3,659,004</b>	<b>750,685</b>	<b>861,931</b>	<b>5,271,620</b>

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2007

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	720,989
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,269,677
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	176,414
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(8,407)
An internal service fund is used by the District's management to charge the costs of the self-funded health insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	310
Long-term liabilities, including bonds payable and termination benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(2,679,134)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>4,479,849</u></u>

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2007

	General Fund	Capital Projects Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,217,328	487,099	441,748	3,146,175
Tuition	184,206	-	-	184,206
Other	123,717	30,200	309,023	462,940
State sources	3,817,930	58,179	-	3,876,109
Federal sources	230,034	-	-	230,034
Total revenues	<u>6,573,215</u>	<u>575,478</u>	<u>750,771</u>	<u>7,899,464</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,801,986	-	170,161	2,972,147
Special	1,091,078	-	-	1,091,078
Other	656,385	-	268,308	924,693
	<u>4,549,449</u>	<u>-</u>	<u>438,469</u>	<u>4,987,918</u>
Support services:				
Student	198,600	-	1,000	199,600
Instructional staff	270,442	-	48,583	319,025
Administration	805,178	-	-	805,178
Operation and maintenance of plant	689,402	-	145,240	834,642
Transportation	319,368	-	70,782	390,150
	<u>2,282,990</u>	<u>-</u>	<u>265,605</u>	<u>2,548,595</u>
Other expenditures:				
Facilities acquisition	-	58,179	243,823	302,002
Long-term debt:				
Principal	-	-	235,000	235,000
Interest and fiscal charges	-	-	111,865	111,865
AEA flowthrough	282,816	-	-	282,816
	<u>282,816</u>	<u>58,179</u>	<u>590,688</u>	<u>931,683</u>
Total expenditures	<u>7,115,255</u>	<u>58,179</u>	<u>1,294,762</u>	<u>8,468,196</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(542,040)</u>	<u>517,299</u>	<u>(543,991)</u>	<u>(568,732)</u>
Other financing sources (uses):				
Operating transfers in	-	-	444,000	444,000
Operating transfers out	-	(444,000)	-	(444,000)
Total other financing sources (uses)	<u>-</u>	<u>(444,000)</u>	<u>444,000</u>	<u>-</u>
Net change in fund balances	(542,040)	73,299	(99,991)	(568,732)
Fund balances beginning of year	155,453	677,386	456,882	1,289,721
Fund balances end of year	<u>(386,587)</u>	<u>750,685</u>	<u>356,891</u>	<u>720,989</u>

See notes to financial statements.

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds to the  
Statement of Activities

Year ended June 30, 2007

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		(568,732)
<b>Amounts reported for governmental activities in the Statement of Activities are different because:</b>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year as follows:		
Expenditures for capital assets	209,883	
Depreciation expense	<u>(305,249)</u>	(95,366)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		15,736
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		235,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		882
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits		<u>(39,016)</u>
An internal service fund is used by the District's management to charge the costs of the self-funded health insurance program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>310</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>(451,186)</u></u>

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2007

	School Nutrition	Governmental Activities - Internal Service Fund
	\$	\$
<b>Assets</b>		
Cash and cash equivalents	31,681	310
Inventories	4,786	-
Capital assets, net of accumulated depreciation	<u>26,085</u>	<u>-</u>
<b>Total assets</b>	<u>62,552</u>	<u>310</u>
<b>Liabilities</b>		
Deferred revenue	<u>5,095</u>	<u>-</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	26,085	-
Unrestricted	<u>31,372</u>	<u>310</u>
<b>Total net assets</b>	<u><u>57,457</u></u>	<u><u>310</u></u>

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2007

	School Nutrition \$	Governmental Activities - Internal Service Fund \$
Operating revenues:		
Local sources:		
Charges for service	318,780	49,077
Operating expenses:		
Non-instructional programs:		
Salaries	151,360	-
Benefits	57,490	48,767
Supplies	251,399	-
Depreciation	3,275	-
	<u>463,524</u>	<u>48,767</u>
Operating gain (loss)	<u>(144,744)</u>	<u>310</u>
Non-operating revenues:		
State sources	4,306	-
Federal sources	138,900	-
Interest income	41	-
Total non-operating revenues	<u>143,247</u>	<u>-</u>
Change in net assets	(1,497)	310
Net assets beginning of year	<u>58,954</u>	<u>-</u>
Net assets end of year	<u><u>57,457</u></u>	<u><u>310</u></u>

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2007

	School Nutrition	Governmental Activities - Internal Service Fund
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	319,049	49,077
Cash payments to employees for services	(208,850)	(48,767)
Cash payments to suppliers for goods or services	(227,045)	-
Net cash used by operating activities	<u>(116,846)</u>	<u>310</u>
Cash flows from non-capital financing activities:		
State grants received	4,306	-
Federal grants received	114,513	-
Net cash provided by non-capital financing activities	<u>118,819</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(4,790)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>41</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(2,776)	310
Cash and cash equivalents at beginning of year	<u>34,457</u>	<u>-</u>
Cash and cash equivalents at end of year	<u><u>31,681</u></u>	<u><u>310</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>		
Operating gain (loss)	(144,744)	310
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	24,387	-
Depreciation	3,275	-
Decrease (increase) in inventories	(13)	-
(Decrease) increase in accounts payable	(20)	-
(Decrease) increase in deferred revenue	269	-
Net cash used in operating activities	<u><u>(116,846)</u></u>	<u><u>310</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2007, the District received \$24,387 of federal commodities.

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2007

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	15,608
<b>Liabilities</b>	
	<u>-</u>
<b>Net Assets</b>	
Reserved for scholarships	<u>15,608</u>

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2007

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	493
Deductions:	
Support services:	
Scholarships awarded	<u>150</u>
Change in net assets	343
Net assets beginning of year	<u>15,265</u>
Net assets end of year	<u><u>15,608</u></u>

# SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2007

### 1. Summary of Significant Accounting Policies

Sibley-Ocheyedan Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Sibley and Ocheyedan, Iowa and the predominately agricultural territory in a portion of Osceola County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Sibley-Ocheyedan Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Sibley-Ocheyedan Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instruction, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District's Internal Service Fund is also reported as a proprietary fund. The Internal Service Fund is used to account for the District's employee benefit flex plan.

The District also reports fiduciary funds, which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006, through June 30, 2007, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	20-50 years
Improvements other than buildings	5-20 years
Furniture and equipment	5-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the support services and non-instructional programs functions exceeded the amounts budgeted. The District also exceeded its General Fund spending authority.

## 2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime

eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

**3. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Fund: Physical Plant and Equipment Levy Fund	Capital Projects: Local Option Sales Tax Fund	178,000
Nonmajor Fund: Debt Service Fund	Capital Projects: Local Option Sales Tax Fund	266,000

The transfers from the Capital Projects Fund to the Debt Service Fund moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**4. Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2007-08A	06/27/07	06/27/08	1,087,396	324	1,085,000	276

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	350,000	350,000	-

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
	%	%
2006-07A	4.500	5.676
2007-08A	4.500	5.455

## 5. Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	-	145,812	-	145,812
Land	25,000	-	-	25,000
Total	<u>25,000</u>	<u>145,812</u>	<u>-</u>	<u>170,812</u>
Capital assets being depreciated:				
Buildings	9,959,093	-	-	9,959,093
Improvements other than buildings	270,829	-	-	270,829
Furniture and equipment	1,222,023	64,071	90,510	1,195,584
Total capital assets being deprec.	<u>11,451,945</u>	<u>64,071</u>	<u>90,510</u>	<u>11,425,506</u>
Less accumulated depreciation for:				
Buildings	4,025,304	229,028	-	4,254,332
Improvements other than buildings	139,542	15,234	-	154,776
Furniture and equipment	947,056	60,987	90,510	917,533
Total accumulated depreciation	<u>5,111,902</u>	<u>305,249</u>	<u>90,510</u>	<u>5,326,641</u>
Total capital assets being depreciated, net	<u>6,340,043</u>	<u>(241,178)</u>	<u>-</u>	<u>6,098,865</u>
Governmental activities capital assets, net	<u>6,365,043</u>	<u>(95,366)</u>	<u>-</u>	<u>6,269,677</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	48,033	4,790	-	52,823
Less accumulated depreciation	<u>23,462</u>	<u>3,275</u>	<u>-</u>	<u>26,737</u>
Business type activities capital assets, net	<u>24,571</u>	<u>1,515</u>	<u>-</u>	<u>26,086</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Other	924
Support services:	
Operation and maintenance of plant services	12,944
Transportation	47,119
	<u>60,987</u>
Unallocated depreciation	244,262
	<u>305,249</u>
Business type activities:	
Food service operations	<u>3,275</u>

## 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	2,520,000	-	235,000	2,285,000	245,000
Termination benefits	355,118	121,381	82,365	394,134	141,488
Total	<u>2,875,118</u>	<u>121,381</u>	<u>317,365</u>	<u>2,679,134</u>	<u>386,488</u>

### Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least ten years of continuous service to the District and must have reached the age of fifty-five on or before August 31, in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits consist of District paid health insurance of up to \$550 of premium per month until age sixty-five and retirees will be paid for up to 130 days of unused sick leave at \$10 per day. The payment for unused sick leave will be made in one lump sum during the year following retirement.

At June 30, 2007, the District has obligations to twenty-two participants with a total liability of \$394,134. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$82,365.

### General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of February 1999			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2008	4.50	245,000	100,890	345,890
2009	4.20	255,000	89,865	344,865
2010	4.25	265,000	79,155	344,155
2011	4.30	280,000	67,893	347,893
2012	4.35	290,000	55,853	345,853
2013-2016	4.50-4.60	950,000	87,929	1,037,929
		<u>2,285,000</u>	<u>481,585</u>	<u>2,766,585</u>

**7. Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$244,946, \$231,338, and \$227,393 respectively, equal to the required contributions for each year.

**8. Risk Management**

Sibley-Ocheyedan Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$282,816 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**10. Lease Commitment**

The District is using operating leases to rent copier equipment. The minimum lease payments required are as follows:

Year Ended June 30	Lease Payment
	\$
2008	22,488
2009	3,748

## 11. Construction Commitments

The District has construction commitments for the following as of June 30, 2007:

Total Construction contracts:	\$611,395
Unearned contracts:	465,583

REQUIRED SUPPLEMENTARY INFORMATION

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,793,321	318,821	4,112,142	4,129,404	4,129,404	(17,262)
State sources	3,876,109	4,306	3,880,415	4,224,536	4,224,536	(344,121)
Federal sources	230,034	138,900	368,934	353,000	353,000	15,934
Total revenues	<u>7,899,464</u>	<u>462,027</u>	<u>8,361,491</u>	<u>8,706,940</u>	<u>8,706,940</u>	<u>(345,449)</u>
Expenditures:						
Instruction	4,987,918	-	4,987,918	5,575,344	5,575,344	587,426
Support services	2,548,595	-	2,548,595	2,535,000	2,535,000	(13,595)
Non-instructional programs	-	463,524	463,524	404,020	404,020	(59,504)
Other expenditures	931,683	-	931,683	952,264	952,264	20,581
Total expenditures	<u>8,468,196</u>	<u>463,524</u>	<u>8,931,720</u>	<u>9,466,628</u>	<u>9,466,628</u>	<u>534,908</u>
Excess (deficiency) of revenues over (under) expenditures	(568,732)	(1,497)	(570,229)	(759,688)	(759,688)	189,459
Balance beginning of year	<u>1,289,721</u>	<u>58,954</u>	<u>1,348,675</u>	<u>1,265,173</u>	<u>1,265,173</u>	<u>83,502</u>
Balance end of year	<u><u>720,989</u></u>	<u><u>57,457</u></u>	<u><u>778,446</u></u>	<u><u>505,485</u></u>	<u><u>505,485</u></u>	<u><u>272,961</u></u>

SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures in the non-instructional programs and support services functions exceeded the amounts budgeted. The District also exceeded its General Fund spending authority as of June 30, 2007.

OTHER SUPPLEMENTARY INFORMATION

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2007

Assets	Special Revenue Funds				Total \$
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Debt Service	
	\$	\$	\$	\$	
Cash and pooled investments	142,215	117,199	222,608	4,315	486,337
Receivables:					
Property tax:					
Delinquent	6,477	-	1,364	1,795	9,636
Succeeding year	300,000	-	61,738	-	361,738
Accounts	-	-	4,220	-	4,220
<b>Total assets</b>	<u>448,692</u>	<u>117,199</u>	<u>289,930</u>	<u>6,110</u>	<u>861,931</u>
<b>Liabilities &amp; Fund Balances</b>					
Liabilities:					
Accounts payable	-	4,781	138,521	-	143,302
Deferred revenue:					
Succeeding year property tax	300,000	-	61,738	-	361,738
Total liabilities	<u>300,000</u>	<u>4,781</u>	<u>200,259</u>	<u>-</u>	<u>505,040</u>
Fund balances:					
Reserved for debt service	-	-	-	6,110	6,110
Unreserved reported in:					
Special revenue funds	148,692	112,418	89,671	-	350,781
Total fund balances	<u>148,692</u>	<u>112,418</u>	<u>89,671</u>	<u>6,110</u>	<u>356,891</u>
<b>Total liabilities and fund balances</b>	<u>448,692</u>	<u>117,199</u>	<u>289,930</u>	<u>6,110</u>	<u>861,931</u>

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2007

	Special Revenue Funds				Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Debt Service	
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	300,086	-	61,170	80,492	441,748
Other	13,470	280,964	13,093	1,496	309,023
Total revenues	<u>313,556</u>	<u>280,964</u>	<u>74,263</u>	<u>81,988</u>	<u>750,771</u>
Expenditures:					
Current:					
Instruction:					
Regular	108,832	-	61,329	-	170,161
Other	-	268,308	-	-	268,308
Support services:					
Student	1,000	-	-	-	1,000
Instructional staff	-	-	48,583	-	48,583
Operation and maintenance of plant	76,502	-	68,738	-	145,240
Transportation	21,771	-	49,011	-	70,782
Other expenditures:					
Facilities acquisition	-	-	243,823	-	243,823
Long-term debt:					
Principal	-	-	-	235,000	235,000
Interest and fiscal charges	-	-	-	111,865	111,865
Total expenditures	<u>208,105</u>	<u>268,308</u>	<u>471,484</u>	<u>346,865</u>	<u>1,294,762</u>
Excess (deficiency) of revenues over (under) expenditures	105,451	12,656	(397,221)	(264,877)	(543,991)
Other financing sources (uses):					
Operating transfers in	-	-	178,000	266,000	444,000
Net changes in fund balances	105,451	12,656	(219,221)	1,123	(99,991)
Fund balances beginning of year	<u>43,241</u>	<u>99,762</u>	<u>308,892</u>	<u>4,987</u>	<u>456,882</u>
Fund balances end of year	<u><u>148,692</u></u>	<u><u>112,418</u></u>	<u><u>89,671</u></u>	<u><u>6,110</u></u>	<u><u>356,891</u></u>

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Boys basketball	812	6,794	7,224	382
Athletics	-	3,580	-	3,580
Football	776	11,816	7,998	4,594
Boys track	70	3,430	3,494	6
Girls track	17	-	-	17
Boys golf	233	140	135	238
Girls golf	293	300	174	419
Wrestling	167	6,393	6,515	45
Baseball	643	14	98	559
Girls basketball	866	8,273	7,245	1,894
Volleyball	96	3,812	3,857	51
Softball	4,009	2,340	1,704	4,645
Girls BB special account	1,653	1,540	1,819	1,374
Boys BB special account	158	2,438	2,312	284
Weight lifting	13	-	-	13
Football special account	2,333	820	394	2,759
Girls golf special	83	235	186	132
Special cross country	141	1,463	1,158	446
Special girls track	205	2,754	2,550	409
Baseball special	786	170	187	769
Softball special account	369	160	-	529
Boys golf special account	94	230	-	324
Volleyball special	1,303	2,095	756	2,642
Boys track special account	675	754	322	1,107
Wrestling special account	345	290	47	588
Class of 2006	40	-	-	40
Class of 2007	4,109	-	3,763	346
Class of 2008	2,870	10,371	11,336	1,905
Class of 2009	3,797	2,680	-	6,477
Class of 2010	2,537	-	-	2,537
Class of 2011	-	8,639	5,910	2,729
Student assistance	1,353	-	25	1,328
Music: band	22	5,128	4,655	495
Music: chorus	1,208	7,813	7,989	1,032
H.S. band resale	185	16,338	16,426	97
M.S. band resale	760	3,193	2,658	1,295
Smoothie Café	186	-	140	46
H. S. activity	9,035	12,627	8,938	12,724
M.S. activity	99	4,505	3,566	1,038
Elem. Activity	6,732	4,740	3,401	8,071
Art club	1,168	591	-	1,759
Shop club	2,559	574	3,133	-

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Dance team	4,578	5,080	4,831	4,827
FFA	9,339	83,351	90,808	1,882
Cheerleading	2,441	1,967	1,163	3,245
International club	4,099	2,759	3,731	3,127
National honor society	1,816	834	1,052	1,598
Pep club	1,807	657	466	1,998
S-O club	9	-	-	9
H.S. student leadership	9,051	10,229	8,420	10,860
M.S. student council	1,251	3,974	882	4,343
Speech club	21	13,674	13,218	477
Annual club	6,617	9,349	10,541	5,425
Quill club	142	-	39	103
H.S. science club	964	3	126	841
Drama club	3,370	301	930	2,741
Concessions	1,457	11,746	11,986	1,217
	<u>99,762</u>	<u>280,964</u>	<u>268,308</u>	<u>112,418</u>
Total	<u>99,762</u>	<u>280,964</u>	<u>268,308</u>	<u>112,418</u>

## SIBLEY-OCHEYEDAN COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Fund Types

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,146,175	3,057,682	3,166,335	2,909,796
Tuition	184,206	252,136	226,228	168,361
Other	462,940	441,271	402,033	535,133
State sources	3,876,109	3,892,147	3,672,039	3,445,911
Federal sources	230,034	309,049	254,119	244,550
Total revenues	<u>7,899,464</u>	<u>7,952,285</u>	<u>7,720,754</u>	<u>7,303,751</u>
Expenditures:				
Instruction:				
Regular	2,972,147	2,965,110	2,848,585	3,088,736
Special	1,091,078	954,725	690,073	799,427
Other	924,693	862,477	891,442	677,601
Support services:				
Student	199,600	172,466	220,483	198,888
Instructional staff	319,025	210,667	222,105	174,239
Administration	805,178	725,969	604,896	317,775
Operation and maintenance of plant	834,642	892,056	748,234	933,046
Transportation	390,150	377,711	434,252	284,364
Other expenditures:				
Facilities acquisition	302,002	50,379	202,571	332,131
Long-term debt:				
Principal	235,000	225,000	210,000	200,000
Interest and other charges	111,865	121,428	130,351	138,044
AEA flowthrough	282,816	275,616	270,801	271,598
Total expenditures	<u>8,468,196</u>	<u>7,833,604</u>	<u>7,473,793</u>	<u>7,415,849</u>

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
Sibley-Ocheyedan Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sibley-Ocheyedan Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 30, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sibley-Ocheyedan Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Sibley-Ocheyedan Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sibley-Ocheyedan Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Sibley-Ocheyedan Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Sibley-Ocheyedan Community School District's financial statements that is more than inconsequential will not be prevented or detected by Sibley-Ocheyedan Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Sibley-Ocheyedan Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 07-I-A, 07-I-B and 07-I-C are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sibley-Ocheyedan Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Sibley-Ocheyedan Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the District's responses, we did not audit Sibley-Ocheyedan Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sibley-Ocheyedan Community School District and other parties to whom Sibley-Ocheyedan Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sibley-Ocheyedan Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

April 30, 2008

Sibley-Ocheyedan Community School District

Schedule of Findings and Responses

June 30, 2007

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

07-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

07-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Sibley-Ocheyedan Community School District

Schedule of Findings and Responses

June 30, 2007

Part I: Findings Related to the Financial Statements (continued):

07-I-C Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The stamp is under the care, custody and control of the administrative office. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The board may designate a person other than the board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

Sibley-Ocheyedan Community School District

Schedule of Findings and Responses

June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

07-II-A Certified Budget: Expenditures for the year ended June 30, 2007, exceeded the amounts budgeted in the support services and non-instructional programs functions. The District also exceeded its General Fund spending authority.

Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the unspent authorized budget issue.

District Response: We will monitor expenditures more closely in the future and amend the budget when necessary. We have contacted the School Budget Review Committee.

Conclusion: Response accepted.

07-II-B Questionable Expenditures: No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

07-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

07-II-D Business Transactions: Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Kyle Grimes, board member, employee of Mericks Printing Co.	officiating Printing/shirts	\$ 270 15,154
LaDonn Hartzell, board secretary, spouse is part owner of Hartzell & Rosenberg	Snow removal	3,550

In accordance with an Attorney General's opinion dated November 9, 1976, the transactions with the spouse of the District Secretary do not appear to represent a conflict of interest.

Recommendation: The District should be aware of the potential for a conflict of interest when dealing with members of the District's board of directors, its employees, and relatives of directors and employees. The District should consult with its attorney before entering into any transactions with these people.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

Sibley-Ocheyedan Community School District

Schedule of Findings and Responses

June 30, 2007

Part II: Other Findings Related to Statutory Reporting (continued):

07-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

07-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

07-II-G Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.

07-II-H Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

07-II-I Certified Annual Report: The Certified Annual Report was filed with the Department of Education by the due date.

07-II-J Deficit Balances: The District has a deficit fund balance in the General Fund of \$386,587 at June 30, 2007.

Recommendation: The District should continue to monitor the fund and investigate alternatives to eliminate the deficit.

District Response: We are working on ways to eliminate the deficit.

Conclusion: Response accepted.

07-II-K Physical Plant and Equipment Levy Fund: The Physical Plant and Equipment Levy Fund may be used to purchase equipment with a unit cost exceeding \$500. We noted that some expenditures from this fund included equipment with a unit cost of less than \$500.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund and consider reimbursing the Physical Plant and Equipment Fund for the purchases.

District Response: We will monitor the expenditures from this fund and have General Fund make the reimbursement.

Conclusion: Response accepted.